

Latino Entrepreneurs in Missouri

Policy Implications for Small Business Assistance Programs



April 2005

Missouri Economic Research and Information Center
Missouri Department of Economic Development

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT



MISSOURI ECONOMIC RESEARCH & INFORMATION CENTER

I. Executive Summary

Understanding Entrepreneurship in Missouri

This report is one of a series of reports from the Missouri Department of Economic Development that has been written with the intent of exploring entrepreneurship in Missouri. For this series *entrepreneurs are defined as those individuals that either report over 50 percent of their income as self-employment income or those that classify themselves as self employed*. While this definition is somewhat broader than definitions of entrepreneurship which restrict themselves to high growth companies, it was chosen due to two factors: 1) it was not possible to track the growth of companies over time in conjunction with the socioeconomic data necessary for this study, and 2) even small businesses which are not high growth businesses produce jobs for Missourians and create activity in the local economy.

Why Promote Entrepreneurship Among Latinos in Missouri?

This report focuses exclusively on strategies to promote Latino entrepreneurship in Missouri. This research topic was chosen due to a convergence of three perspectives (economic, demographic and social welfare) which all indicate that entrepreneurship among Latinos is a positive force both for the Latino community and the Missouri economy.

- **Economic Perspective:** Entrepreneurs help state economies grow. Entrepreneurs play a vital role in creating jobs in the economy and furthering technological innovation. Nationally, 52 percent of all sales in the economy, and 50 percent of private sector output is due to small business.ⁱ
- **Demographic Perspective:** The Latino population in Missouri is growing rapidly. Between 1990 and 2000 the Latino population in Missouri grew by an astounding 92 percent.ⁱⁱ The largest concentrations of Missouri's Latino population are in the St. Louis and Kansas City Metropolitan Areas. Other areas with large Latino populations are the Joplin Area, the Branson Area, and North Central Missouri.
- **Social Welfare Perspective:** Entrepreneurs in Missouri earn a significantly higher annual average income than wage laborers. In 2000 the average Missouri entrepreneur earned an annual income of \$40,270 as compared to the average wage laborer who earned an annual income of \$25,500. Latino entrepreneurs earned an average annual salary of \$30,346 as compared to Latino wage laborers who earned an average annual salary of \$19,799. Additionally, business ownership is often an avenue to financial success for individuals, such as recent immigrants, who might not have had access to education and training opportunities that would allow them to work in high skilled jobs in the labor market.

Key Areas for Promoting Latino Entrepreneurship

This report identifies three key geographic areas for promoting Latino entrepreneurship in Missouri. These areas were identified based upon the concentration of Latinos in the region as well as the number of Latino business owners. Areas chosen as key areas were:

1. **The St. Louis Metropolitan Area**, which includes St. Louis City, St. Louis County, and St. Charles County.
2. **The Kansas City Metropolitan Area** that includes the core metropolitan area.
3. **The Branson Area**, which includes McDonald, Barry, Stone, Taney, Lawrence, and Dade Counties.

Description of Latino Entrepreneurs

Using data from the 2000 Public Use Microdata Sample of the U.S. Census, this report identifies socioeconomic, cultural and industry characteristics of Latino entrepreneurs in Missouri that are important for designing programs to promote Latino entrepreneurship.

- **Industry Characteristics:** The majority of Missouri's Latino entrepreneurs are engaged in construction, retail, and service businesses. Among Missouri's key areas, St. Louis and Kansas City have statistics very similar to the statewide average with the largest concentration of Latino entrepreneurs being in retail, construction, services, and healthcare. Latino entrepreneurs in the Branson Area are somewhat different than the statewide average. Although their top area of concentration is retail, there are also high concentrations of Latino entrepreneurs in agriculture and landscaping.
- **Socioeconomic Characteristics:** The average Latino entrepreneur in Missouri has received a 12th grade education but with no high school diploma. More than half of Latino entrepreneurs have low incomes and are considered to be either working poor or below poverty. Poverty among Latino entrepreneurs is particularly acute in the Branson Area. Latino entrepreneurs with higher incomes tend to be located in the St. Louis metropolitan area.
- **Cultural Characteristics**
Statewide there are a significant segment of Latino entrepreneurs who do not speak English well. Low English ability is particularly a problem in the metropolitan areas of St. Louis and Kansas City where over 15 percent of the entrepreneurial population do not speak English well. Issues of citizenship are another problem that Latinos entrepreneurs face since 24 percent of all entrepreneurs statewide are not U.S. citizens. Issues of language and citizenship may impede the access that Latino entrepreneurs have to training classes, networking opportunities, and sources of capital.

Policy Recommendations for Promoting Entrepreneurship

The findings of this paper lead to five policy recommendations for promoting entrepreneurship among Missouri's Latino population.

- I. *Focus targeted business development programs in areas that have both a large Latino population and a high entrepreneurial climate.* The key areas that have been identified for doing this in Missouri are St. Louis, Kansas City, and the Branson Area.
- II. *Promote programs that provide access to capital* since capital access is critical for successful business development.
- III. *Offer industry specific training to business owners.* Training should concentrate on industries with high concentrations of Latino entrepreneurs such as personal services, construction, retail, healthcare, landscaping, and agriculture.
- IV. *Provide Spanish language business training in the metropolitan areas.* This will make it easier for Latino entrepreneurs with low English skills to access business resources.
- V. *Create Opportunities for Latino Entrepreneurs to Expand Their Networks.* Statewide over 30 percent of Latino entrepreneurs have moved to the area where they are operating their business within the past five years. Programs that introduce newcomers to the existing business community will allow Latino entrepreneurs to expand their business networks and capitalize on resources that they were not aware of within their communities.

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II. Overview

Research by the Missouri Department of Economic Development shows that there are a large number of Latino owned businesses in Missouri and that the number of these businesses is growing. Evidence of this growth can be found in the fact that during the 1990s there was over an 80 percent increase in Latino owned firms and an increase in sales by these firms of over 120 percent. This information indicates that business ownership is an important avenue of income generation for the Latino population in Missouri. The presence of Latino entrepreneurs also helps to strengthen the Missouri economy through the contributions of small business to growth in jobs and gross state product. Given the tremendous growth in the Latino population, it benefits both the Latino community and the state of Missouri to understand who Latino entrepreneurs are and what can be done to help them be more successful in their business pursuits.

This paper first defines entrepreneurship and gives a statistical summary of the growing Latino population within the state. It then explores the importance of promoting entrepreneurship as an economic development policy and summarizes statistics on entrepreneurship in the state of Missouri. The final section of the paper explores best practices for promoting entrepreneurship in Missouri and combines these best practices with current Missouri statistics to develop a set of policy recommendations for supporting Latino entrepreneurs in the state.

III. Methods

I. Defining Entrepreneurship

In the report *State Entrepreneurship Policies and Programs*ⁱⁱⁱ, the Ewing Marion Kauffman Foundation defines entrepreneurship as:

The ability to amass the necessary resources to capitalize on new business opportunities. The term is frequently used to refer to the rapid growth of new and innovative businesses and is associated with individuals who create or seize business opportunities... They build something from practically nothing and usually reinvest earnings to expand their enterprise or to create new enterprise.

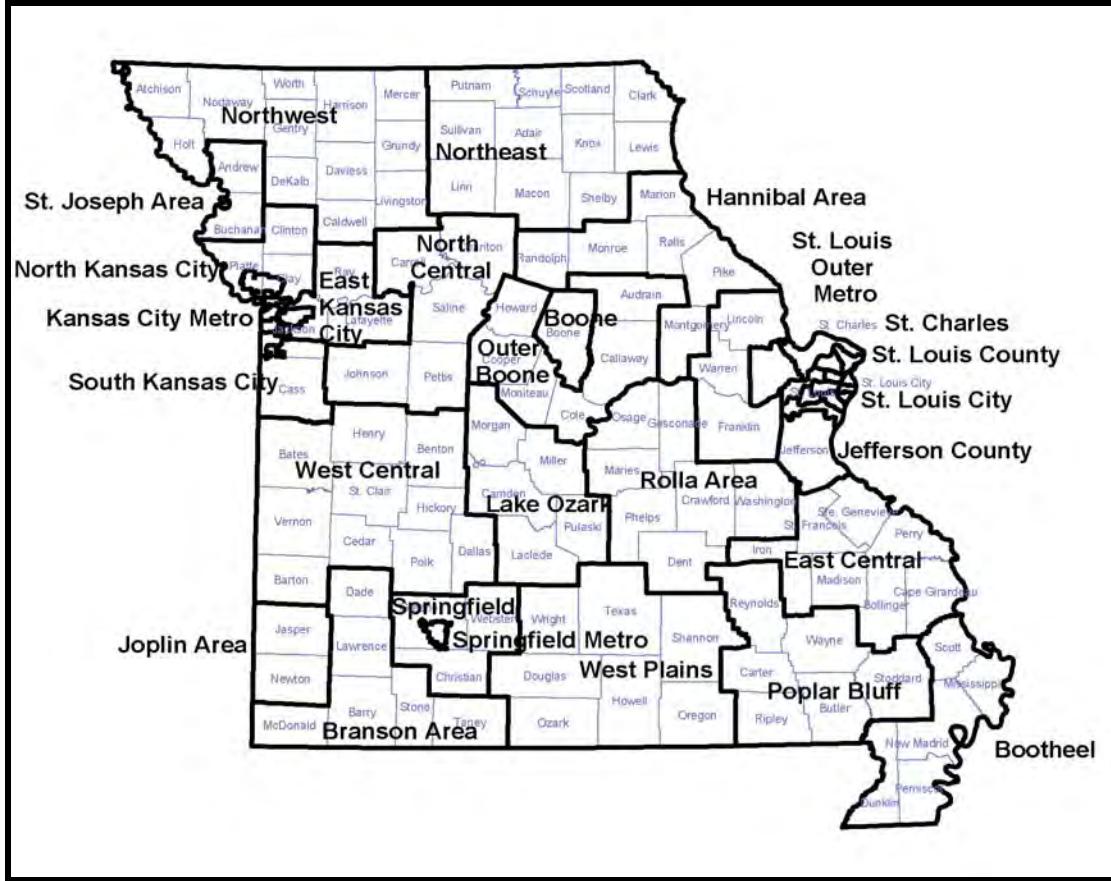
The argument has been made that while most entrepreneurs start by forming small businesses, not all small businesses are entrepreneurial and that only founders of high growth companies can be considered to be true entrepreneurs. Typically companies with high entrepreneurial growth are considered to be those companies that grow between 15 – 20 percent per year in either revenues, employment, or both.^{iv} However, for purposes of this research, entrepreneurs are defined as those individuals that either report over 50 percent of their income as self-employment income or who classify themselves as self-employed, in either an unincorporated or incorporated business or company. This definition was chosen in large part due to data restrictions and the fact that it was not possible to track the growth of companies over time in conjunction with the socioeconomic data collected by the Public Use Microdata Sample of the U.S. Census. Another important reason for using a broad definition of entrepreneurship is that even small businesses which are not high growth businesses produce jobs for Missourians and create activity in the local economy. In fact, as this research shows, Missourians who are small business owners have, on average, significantly higher salaries than Missourians who are employed as wage labor.

II. Statistical Methods

Statistics for this paper are calculated using data from the U.S. Census Bureau's Public-Use Microdata Samples (PUMS) files. These files contain records for a sample of housing units in Missouri with information on the characteristics of each unit and each person in it. The microdata files are especially relevant for this paper because they allow statistical summary of detailed information such as occupation, employment, socio-economic status, and earnings at an individual level and they locate this individual level. The data in this analysis is derived from the person records of the Five Percent Public-Use Microdata Samples (PUMS). The five percent files are collected using Public Use Micro Areas (PUMA) which are defined by the U.S. Census. PUMA regions for the five percent file contain between 100,000 and 200,000 people. Because of their population requirement they are different than the standard geographies (counties and metropolitan statistical areas) which are used to describe Missouri. However, whenever possible, PUMAs have been structured so that they do not cross Metropolitan Statistical Areas (MSAs) or county

lines. A map of Missouri's PUMA regions with superimposed counties has been included below.

Map I: Missouri's Public Use Microdata Areas



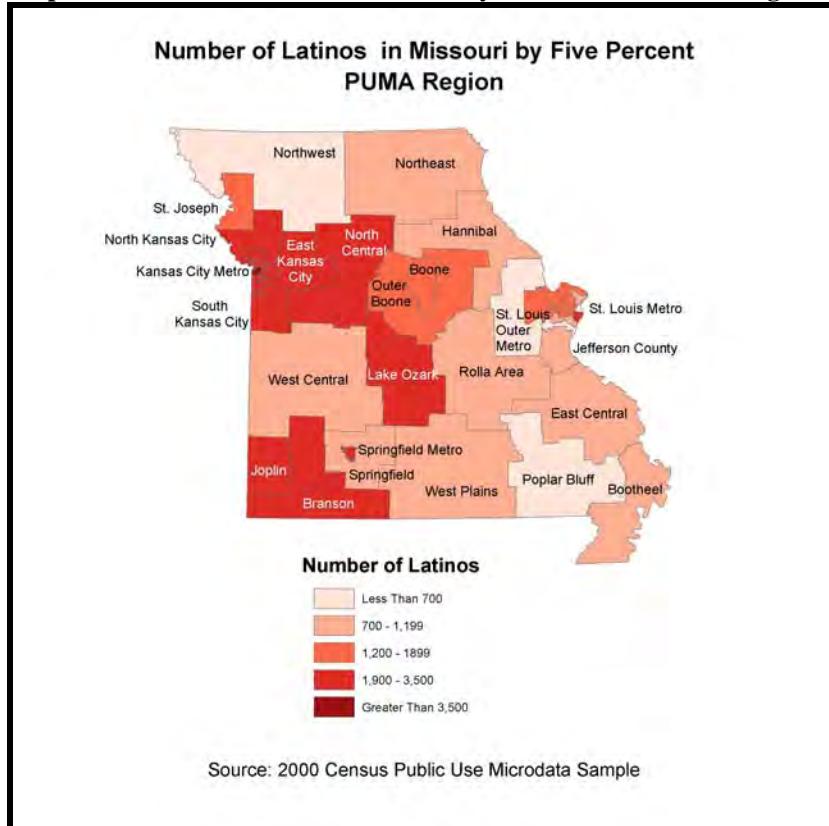
Statistics derived from the PUMS data and included in this report are primarily descriptive in nature. Although they provide an informative picture of the Latino entrepreneur in Missouri, further statistical analysis using this data might provide greater insight into the policy question of Latino entrepreneurship in Missouri. All statistics used in this report are for individuals over the age of 18. Individuals under the age of 18 are not included in the data since it is unlikely that large numbers of these individuals would be in the position to become business owners.

IV. The Growing Latino Population

The population of Latinos in the United States is growing at a high rate. Between 1990 and 2000 the Latino population grew from approximately 9 percent of the country's population in 1990 to 13 percent in 2000, with 35 million people who identified themselves as Latino.^v This represents a 58 percent increase from 1990 and shows that the Latino population is a growing force in the United States. These numbers are particularly powerful given that the Census Bureau estimates about 1.2 percent, or 3.3 million, of the nation's 281 million people went uncounted in the 2000 Census. A majority of the uncounted either fell into the category of undocumented individuals or individuals living in metropolitan areas and both of these categories contain a large number of Hispanics or Latinos. Therefore, it is reasonable to estimate that the number of Latinos in the United States actually is above the 35 million people counted in the 2000 U.S. Census.

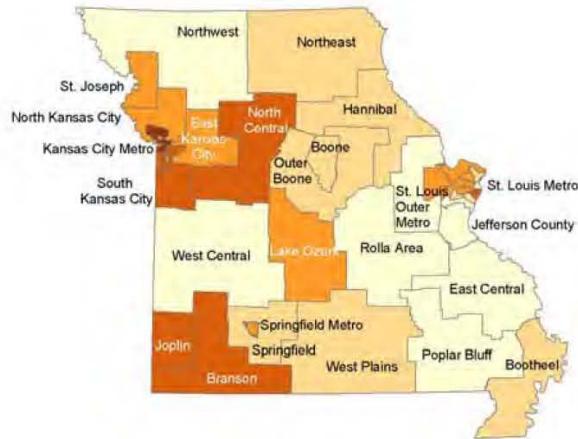
In Missouri the Latino population is also expanding rapidly. According to the U.S. Census, Missouri's Latino population grew by a staggering 92.2% between 1990 and 2000.^{vi} The maps below show Latino population in Missouri by Five Percent PUMA region. A map showing the percentage of the population which is Latino has also been included for population density comparison purposes.

Map II: Number of Latinos in Missouri by Five Percent PUMA Region

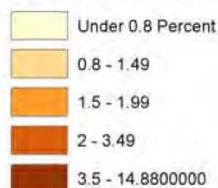


Map III: Concentration of Latinos in Missouri by Five Percent PUMA Region

Percent of Population that is Latino in Missouri by Five Percent PUMA Region



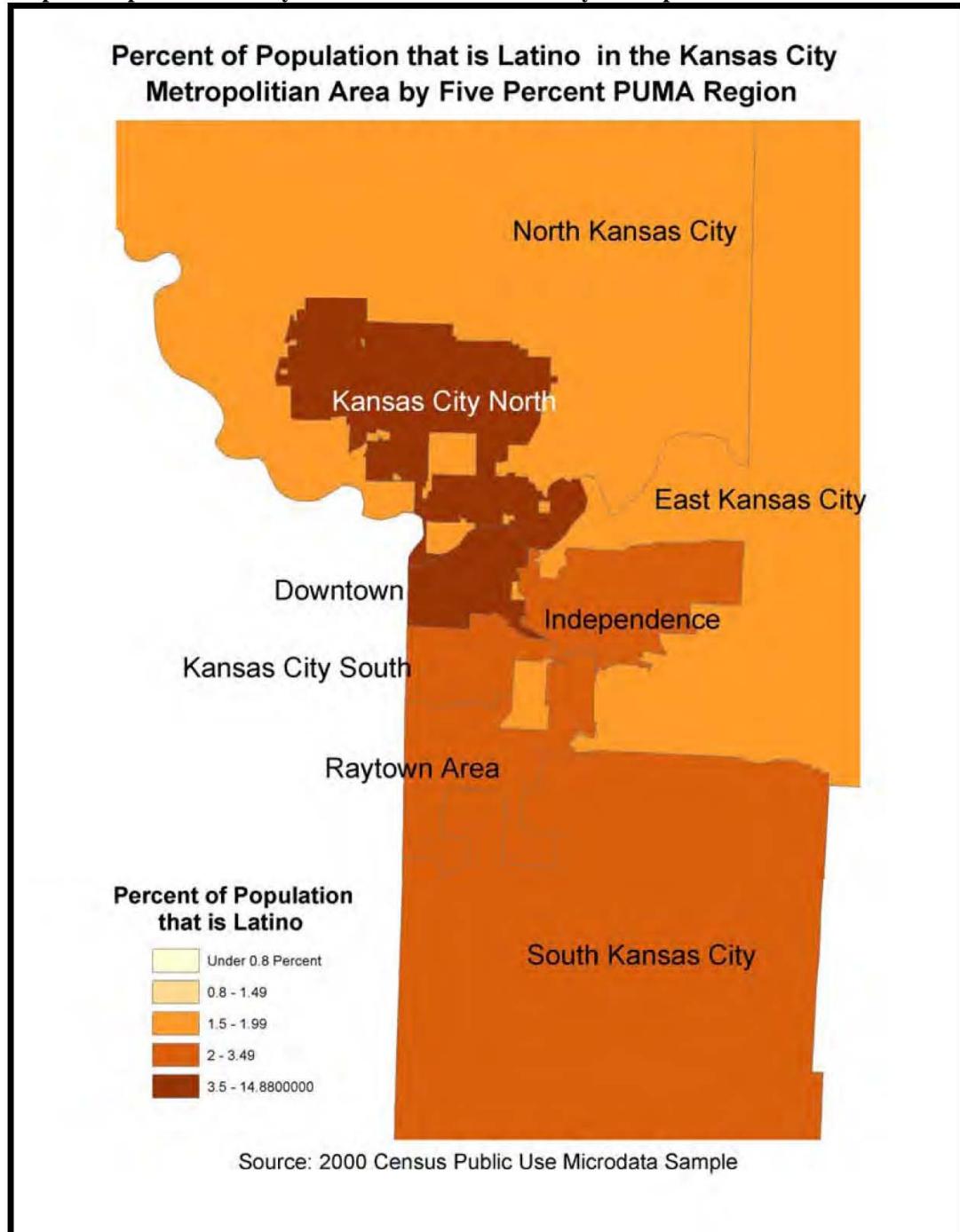
Percent of Population that is Latino



Source: 2000 Census Public Use Microdata Sample

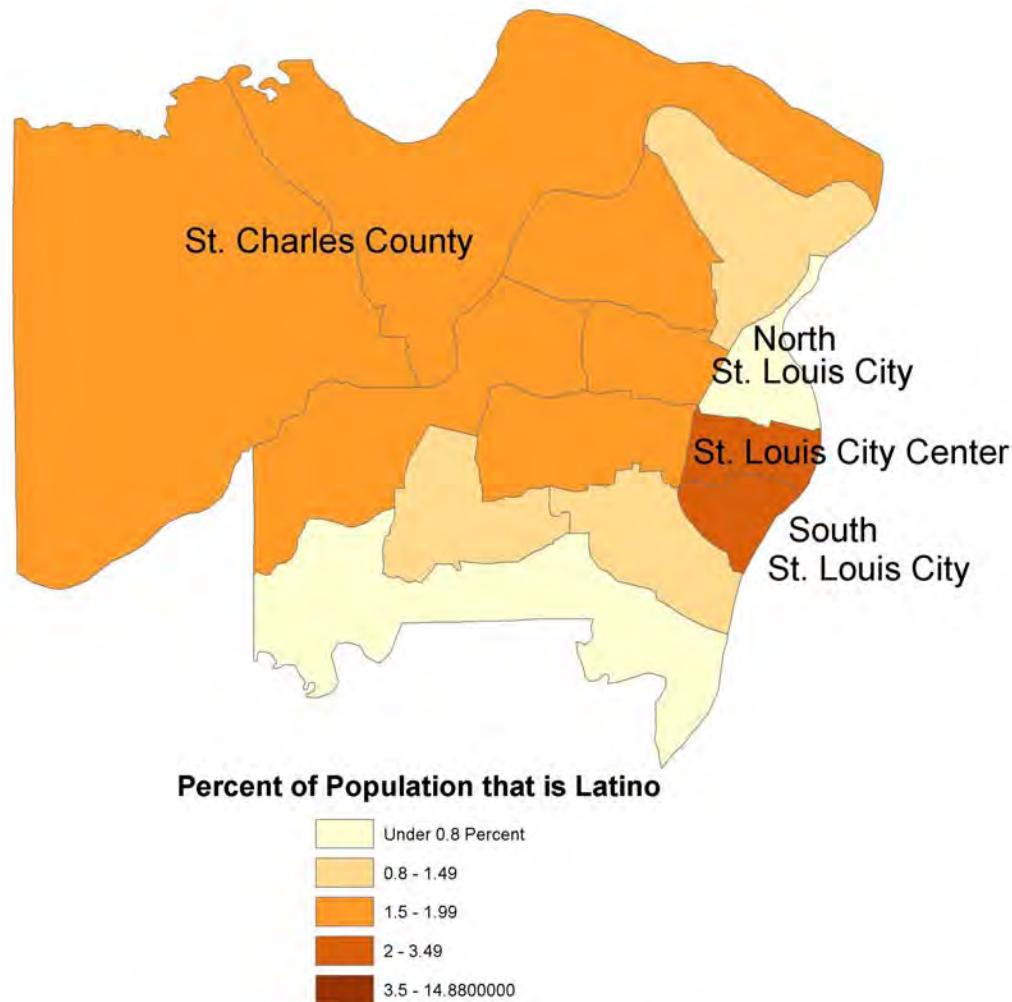
The largest concentration of Missouri's Latino population is in the metropolitan areas. Areas with the largest Latino populations include the Kansas City Metropolitan Area (22,186) and the St. Louis Metropolitan Area (18,040). As the maps below show the concentrations of Latinos within the individual PUMA areas in these regions are quite high compared to concentrations throughout the state.

Map IV: Population Density of Latinos in the Kansas City Metropolitan Area



Map V: Population Density of Latinos in the St. Louis Metropolitan Area

Percent of Population that is Latino in the St. Louis Metropolitan Area by Five Percent PUMA Region



Source: 2000 Census Public Use Microdata Sample

Other areas that showed exceptionally high numbers of Latinos in the 2000 Public Use Microdata are the southwest and central portions of the state including the Branson Area (3,255), the North Central Area (2,903) and Joplin Area (2,806). Immigration to these areas has been influenced in part by the presence of employment opportunities in major meat processing facilities and the recruitment of Latino workers both within and outside the U.S. to meet these demands.^{vii}

V. Entrepreneurship as Economic Development Policy

Traditionally economic development policy at the state level has been centered on the recruitment and retention of large businesses. States promote these policies through the granting of subsidies and tax abatements to firms that locate in their borders. Such business recruitment is useful to states because it can bring large numbers of jobs to distressed areas. However, large business recruitment strategies may also have negative effects on state economies. In the process of bidding against their neighbors, states often offer higher incentives than they might have needed to in order to convince companies to relocate in their borders. Additionally, there is little that a state can do to ensure that companies will stay in the area longer than the time promised in their contracts.

Promoting entrepreneurship is a new and somewhat different approach to creating jobs in the local economy. Rather than relying on outside corporations to bring jobs to a region, policies that promote entrepreneurship rely on individuals within a region to use innovation and local resources to create businesses within the local economy. Because they are locally focused, entrepreneurship programs provide many benefits that may not necessarily be achieved through traditional business recruitment activities. These benefits include:

- **Income generation at higher levels than traditional business recruitment.**
In Missouri, the average income for individuals defined as entrepreneurs is significantly higher than for the average Missourian. Statistics from the U.S. Census Public Use Microdata indicate that annual income for the average Missourian was \$25,500 for 2000 while average income for Missouri's entrepreneurs was \$40,270. While more research needs to be done in this area to see if salary differences may be confounded by other factors, this significant difference indicates that on average entrepreneurship has a higher monetary reward than traditional wage labor employment.
- **Growth in the macro-economy through production of innovative goods and services and through rapid business growth.**
Innovation in the economy leads to growth in gross state product and returns to the macroeconomy.^{viii} Startup and small businesses have more incentives to innovate and they are also in a unique position to do so. Incentives stem from the fact employees of small businesses are more likely to be recognized and rewarded for innovation whereas in large firms there are limited intellectual property rights and individuals are much less likely to be rewarded for innovative thinking. Employees of small businesses are also unencumbered by the bureaucracy of large businesses, and so are in a unique position to think flexibly and promote technological innovation. For this reason, technological change and innovative activity tends to come largely from smaller firms.^{ix}

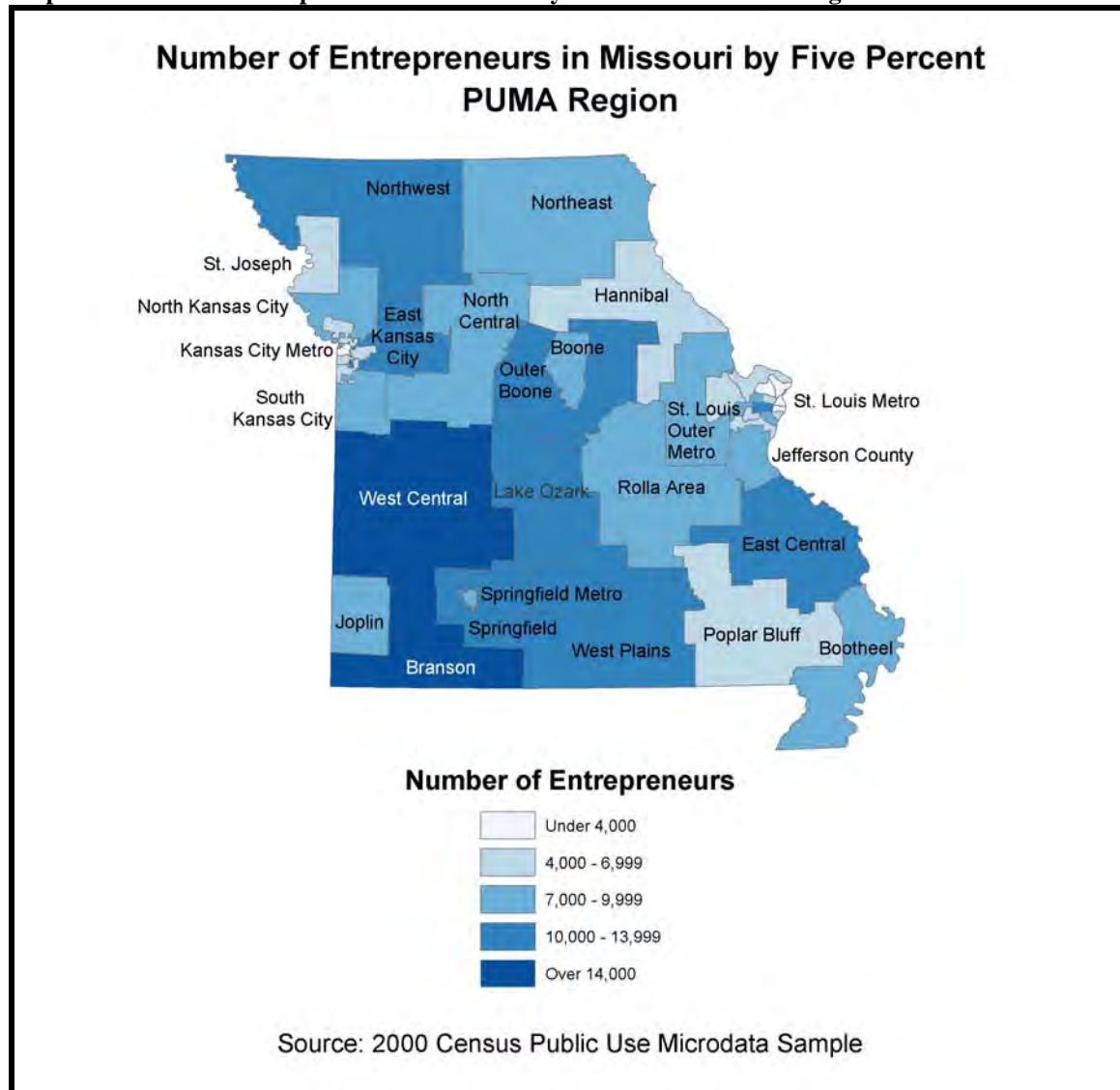
- **The creation of new jobs that are more tied to the local economy.**
Small businesses represent about half the output in the U.S. economy as well as employing approximately half of the U.S. private sector workforce.^x Between 1988 and 1990 the nation's smallest businesses (those with under 20 employees) created over 4 million new jobs, while large firms experienced a loss of over 500,000 jobs.^{xi} Additionally, home grown and small businesses have a tendency to be tied to an area and are less likely to relocate to another state or country purely on the basis of an offer of increased business incentives or lower wages. This is particularly important for a state such as Missouri, which is gradually losing competitiveness in terms of relative wages as more companies begin to outsource production overseas.
- **Better options for individuals with less professional training/education who might not succeed in a wage-labor market but have business ideas that can be profitable.**

For those individuals who do not have the education or training necessary to move forward in the labor market, business creation can be an alternate route to success. Today small business ownership is acknowledged as an effective tool for alleviating poverty and increasing the standard of living among people who have been socially and economically marginalized in the U.S, including women, minorities, those with low levels of education, and older and younger workers.^{xii}

VI. Entrepreneurship in Missouri

Entrepreneurship in Missouri tends to be concentrated in the rural areas of the state. This is due in large part to the farming population that continues to exist in rural Missouri. The maps below show the concentration of entrepreneurs in Missouri by PUMA region, both by number of entrepreneurs in each region and by the percent of the population in each region that is engaged in entrepreneurial activities.

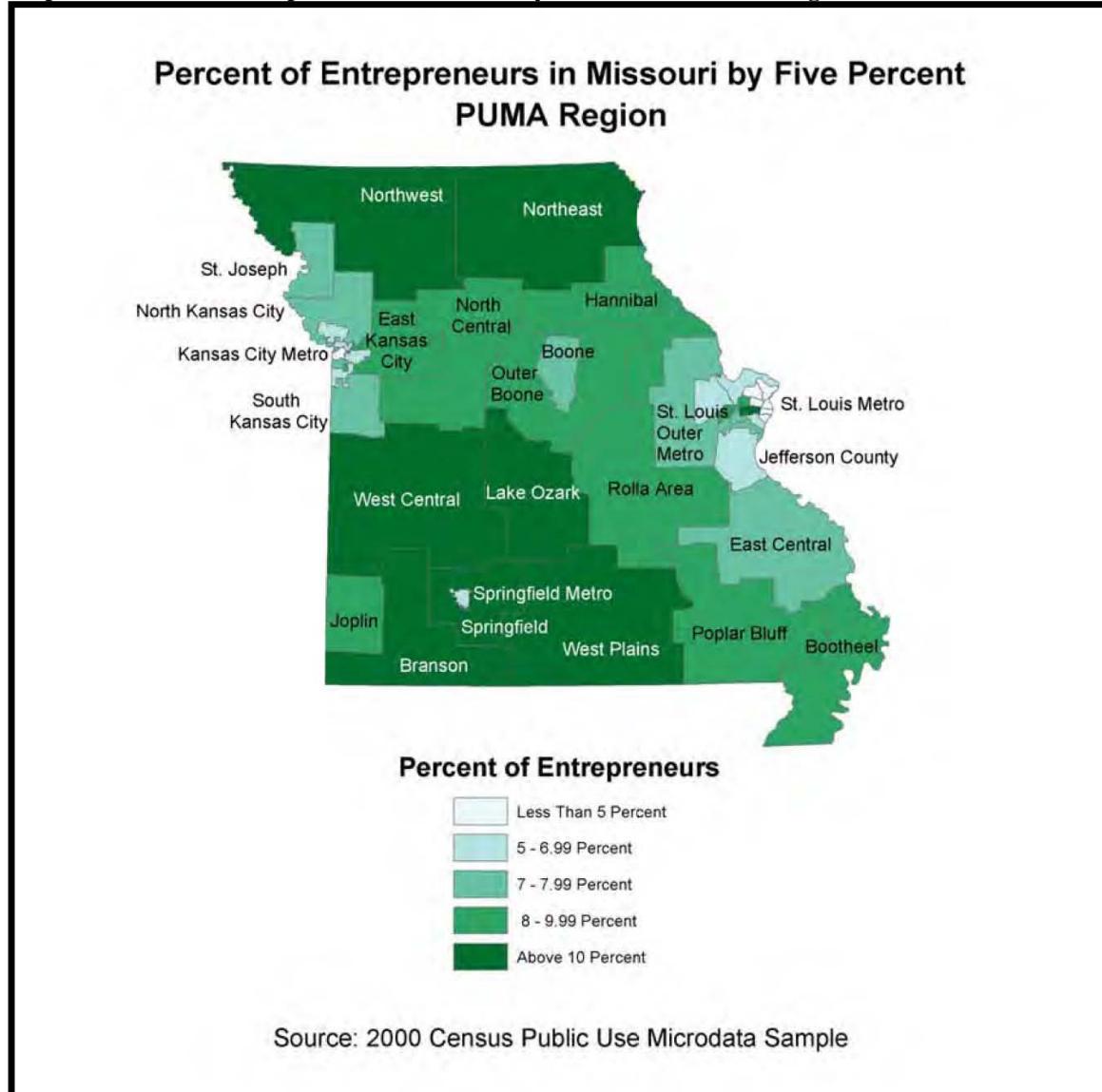
Map VI: Number of Entrepreneurs in Missouri by Five Percent PUMA Region



The highest number of entrepreneurs in Missouri can be found in the West Central and Branson regions of the state. High entrepreneurship in the Branson Area can be attributed to the fact that this area has developed a nationally recognized tourist industry. The presence of a large number of tourists in the area creates a fertile environment for small and large business owners in the entertainment and recreational tourism industry.

When entrepreneurship is measured in terms of the percent of the population, concentrations of entrepreneurship can be found in the north and southwest portions of the state. These areas are both highly rural and presumably much of the entrepreneurship in these areas is farming related. Lower concentrations of entrepreneurship are found in the St. Louis and Kansas City metropolitan regions. This is due in large part to the fact that these areas offer many more wage labor opportunities than are available in rural Missouri.

Map VI: Percent of Entrepreneurs in Missouri by Five Percent PUMA Region



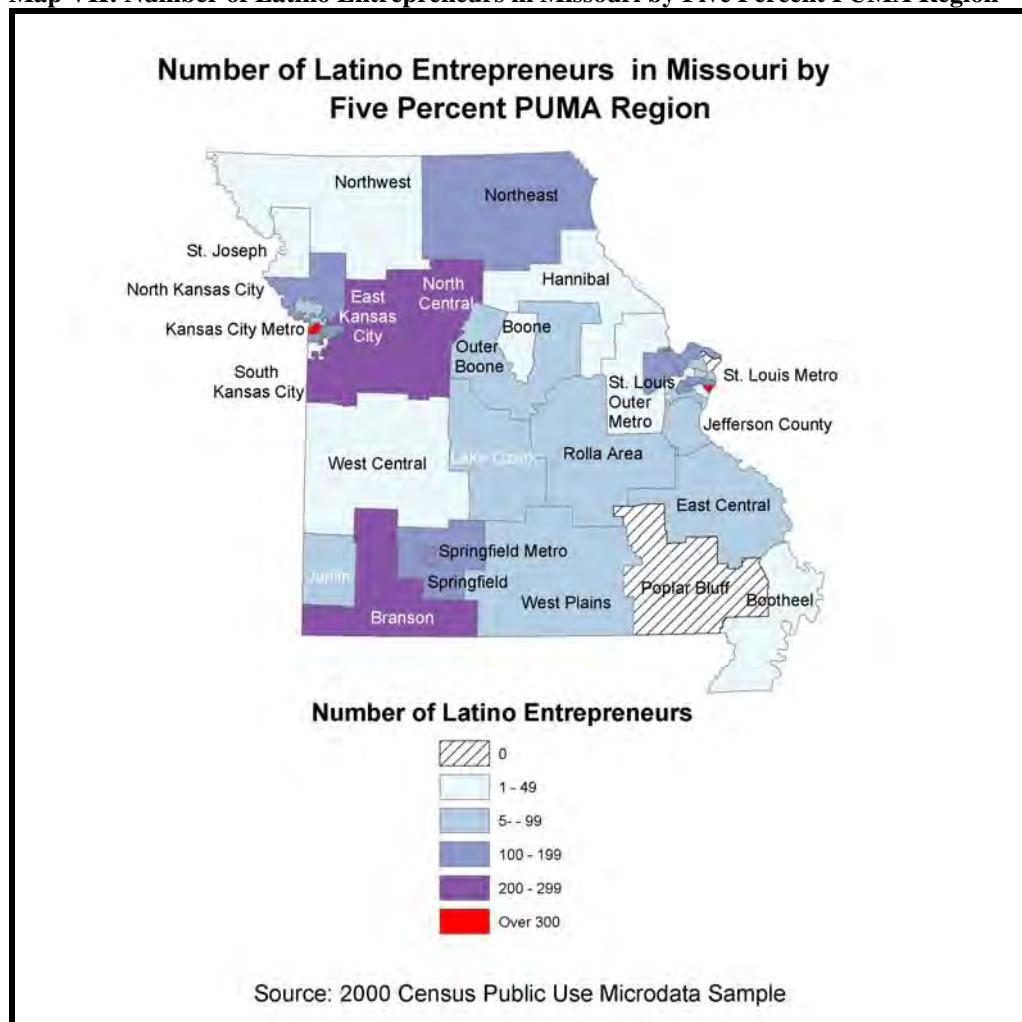
VII. Latino Entrepreneurs in Missouri

I. Geographic Locations of Missouri's Latino Entrepreneurs

The total number of Latino entrepreneurs in Missouri over the age of 18 is 4,384. This is approximately 5.8 percent of Missouri's Latino population over age 18.^{xiii} This average is lower than the average rate of entrepreneurship among all Missourians over 18 which is 7.7 percent.

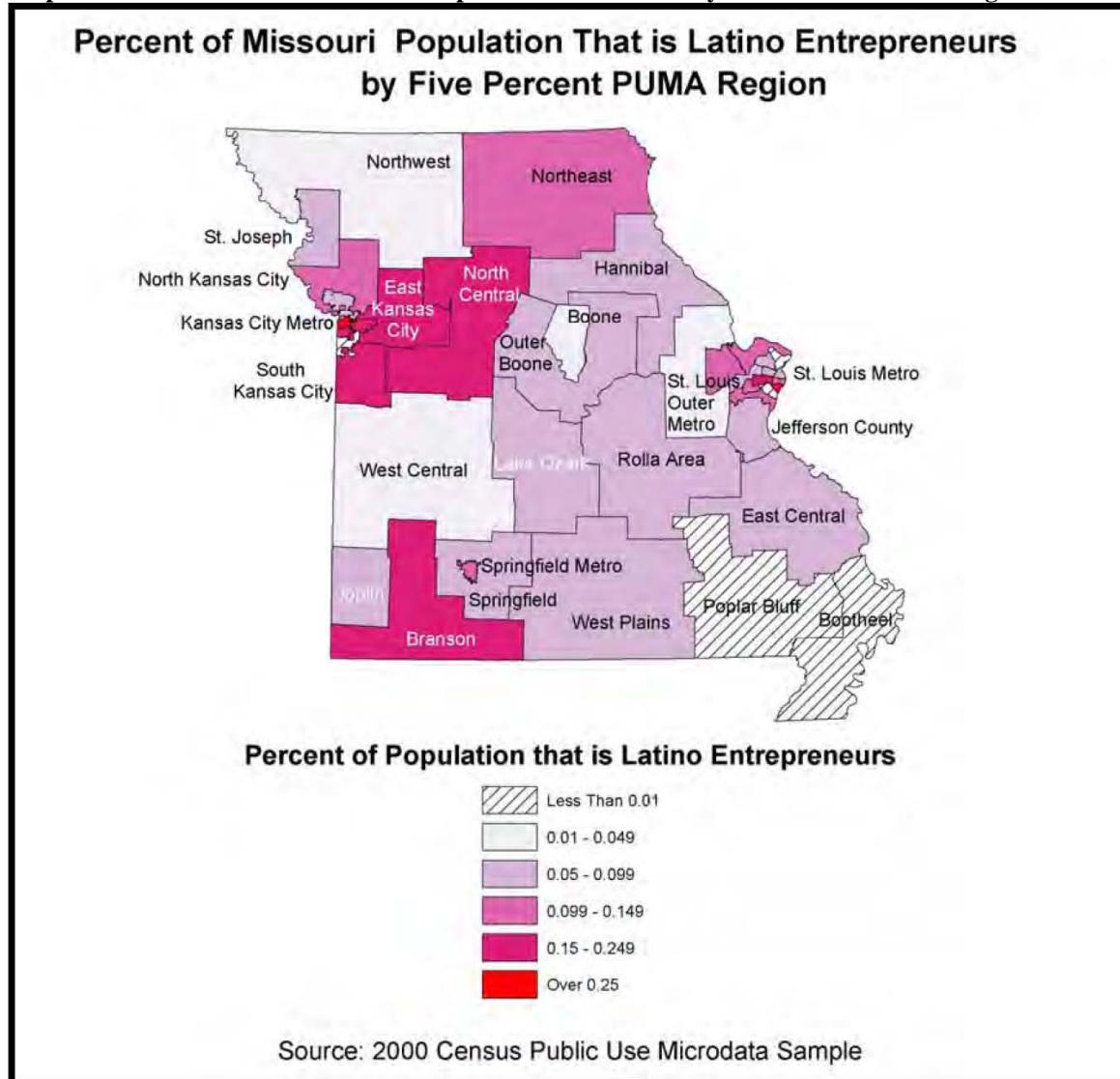
Despite lower entrepreneurial activity in Missouri's city centers compared to more rural areas, the climate for small business owners who do not have pre-existing assets (such as family farms) is likely to be best in the city centers that have established centers of commercial activity. Latino entrepreneurs in Missouri, who are relative newcomers to the state, have tended to cluster around centers with more commercial activity. This can be seen in the maps of Latino entrepreneurship in Missouri included below.

Map VII: Number of Latino Entrepreneurs in Missouri by Five Percent PUMA Region



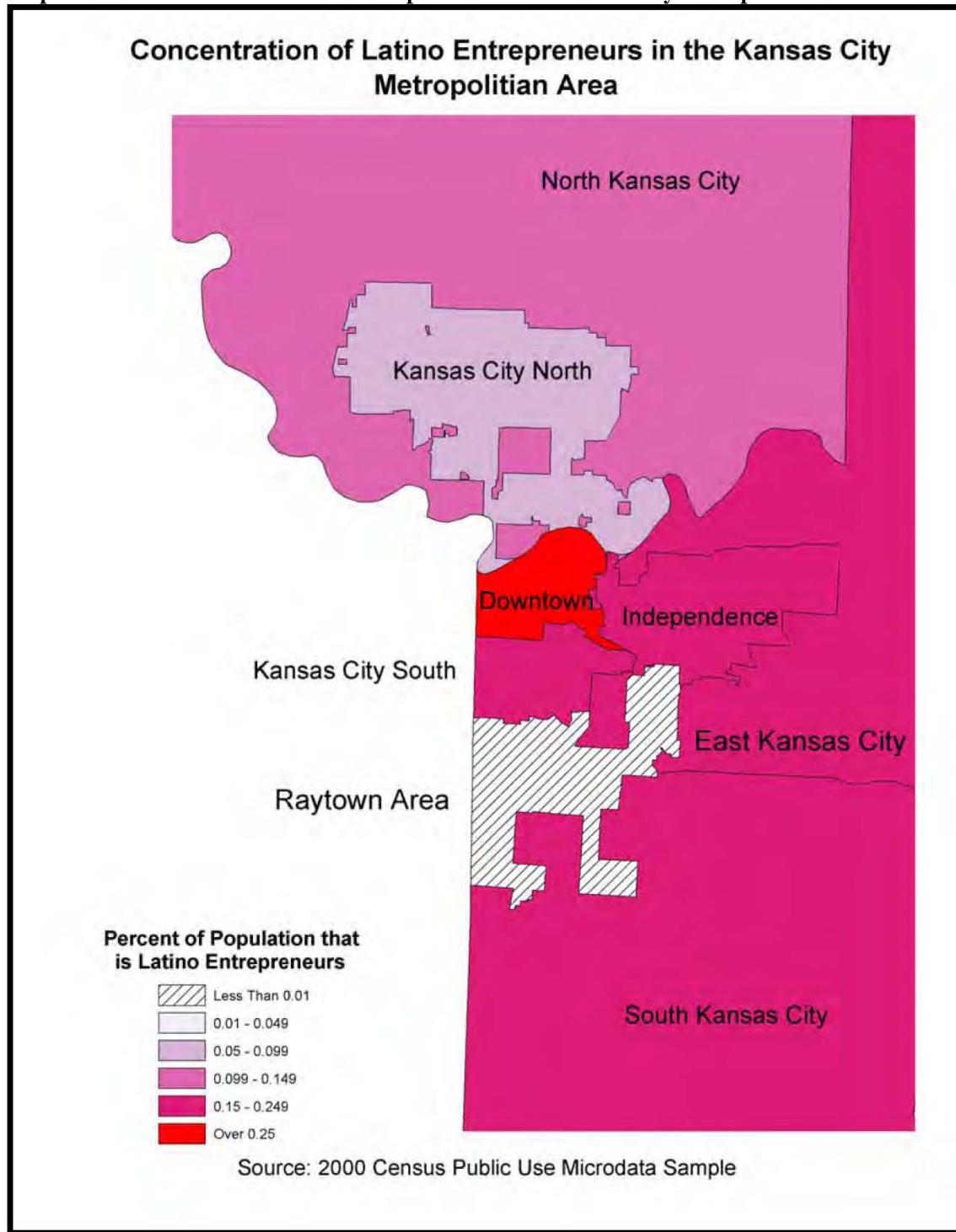
The largest number of Latino entrepreneurs can be found in the Kansas City and St. Louis metropolitan areas. The two other areas with both high numbers and high concentrations of Latino entrepreneurs are the Branson area and the East Kansas City/North Central PUMA areas. A map of the percent of the total population who are Latino entrepreneurs is included below to give an idea of the relative density of the Latino entrepreneur population.

Map VII: Concentration of Latino Entrepreneurs in Missouri by Five Percent PUMA Region



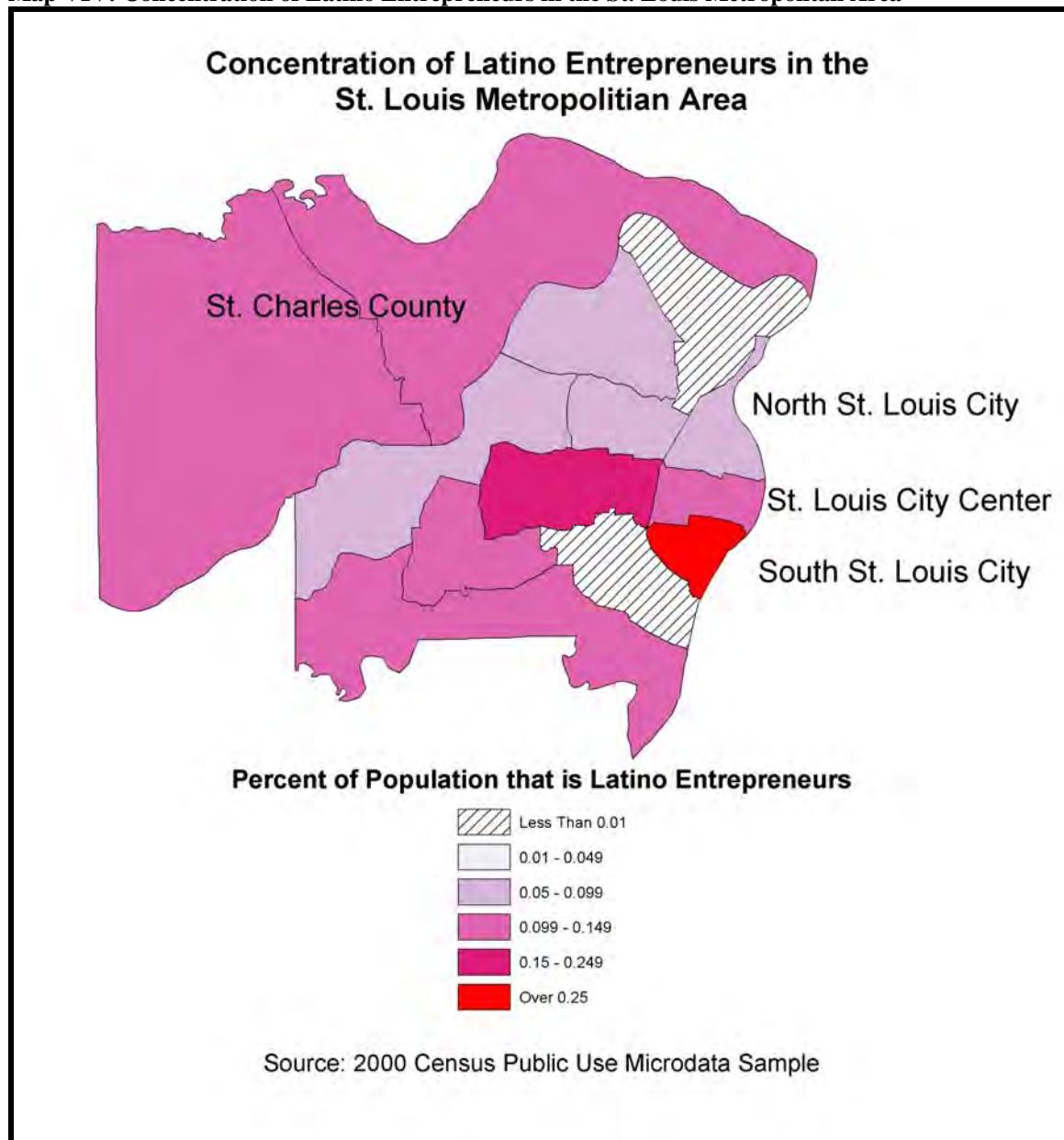
The concentration of Latino entrepreneurs is highest in the Kansas City Metro with especially high concentrations in Downtown Kansas City (462) and Kansas City North (195). A map of the Kansas City metro area is included below to show these concentrations. As the map shows, the concentration of Latino entrepreneurs is in the downtown area of Kansas City where the majority of businesses are located.

Map VIII: Concentration of Latino Entrepreneurs in the Kansas City Metropolitan Area



Latino entrepreneurs in St. Louis are also concentrated in the St. Louis city center. The St. Louis PUMA region with the highest concentration of Latino entrepreneurs is South St. Louis City. The area east of the St. Louis City center, which includes the cities of Clayton, Town and Country, University City, and Ladue, also has a high number of Latino entrepreneurs.

Map VIV: Concentration of Latino Entrepreneurs in the St. Louis Metropolitan Area



II. Key Regions for Latino Entrepreneurship

Studies have shown that the best locations for business development programs are locations that have a strong “entrepreneurial climate.” Elements of such a climate include; respect for the work of business owners, a nurturing business climate and access to diverse capital sources and preexisting entrepreneurial networks.^{xiv}

Urban and semi-urban areas may have a stronger entrepreneurial climate for relative newcomers to the state, such as Latinos, who may have less family or community ties with pre-existing business. Businesses in rural Missouri tend to be centered on agricultural production, a business that requires heavy investment of capital in land and equipment.^{xv} In contrast, concentrations of working professionals and tourists provide the opportunity for retail and service based businesses – enterprises that do not require as high of capital investment. Additionally, business networks in urban and semi-urban areas may be more open to newcomers due to the higher migration rates in these areas. Cities and semi-urban areas also contain a higher number of options for accessing capital for business startup.

Another consideration in determining where business development programs for Latinos are best located in Missouri is the location of Latinos within the state. This is important for three reasons: 1) a higher concentration of Latinos will allow programs to reach a larger number of people, 2) areas with large numbers of Latinos may have existing programs which can be built upon, and 3) within the Latino community there will be existing social networks which business owners can capitalize on to promote their enterprises and to develop business contacts.

Given the location of Latinos in Missouri and the fact that entrepreneurship and business development programs focused on Latinos are best located in areas that have both high concentrations of Latinos and a metropolitan environment or some influx of capital from outside the area, the **Kansas City Metropolitan Area**, the **Branson Area**, and the **St. Louis Metropolitan Area** are three areas where entrepreneurship programs focused on Latino entrepreneurs could have the most impact. All three areas have high concentrations of Latino entrepreneurs. Additionally, all three areas have high inflows of capital, either from the metropolitan environment or as tourist attractions. The socioeconomic characteristics of Latino entrepreneurs, both statewide and in these areas, can be used to design business development programs that fit the unique needs of Latinos in Kansas City, St. Louis, and the Branson Area.

VIII. Socioeconomic Descriptions of Missouri's Latino Entrepreneurs

To create programs that promote Latino business ownership, it is crucial to understand the socioeconomic characteristics and business interests of potential Latino business owners in Missouri. This section concentrates on the characteristics of current Latino entrepreneurs in Missouri with the assumption that others wishing to engage in small business ownership will have similar socioeconomic characteristics.

The majority of Latino entrepreneurs are men (64 percent). They have an average age of 41, and average self-employment income of \$14,000 with average total income of \$30,346. This income is significantly higher than the average annual income for Latinos who are wage laborers in Missouri which is \$19,799. The average number of hours worked by Latino entrepreneurs is 37, although this number varies widely ranging up to 96 hours per week.

I. Industry Concentrations of Latino Entrepreneurs

The majority of Latino entrepreneurs are engaged in construction, retail and service businesses with construction having by far the largest number of Latino entrepreneurs. The table below shows the concentration of Latino entrepreneurs in major industries across the state.

Table I. Latino Small Business Ownership by Major Industry

Major Industry	NAICS Code	Number	Percent
Agriculture, Forestry, Fishing, and Hunting	11	157	3.6
Mining and Utilities	21 - 22	0	0.0
Construction	23	648	14.8
Manufacturing	31-33	198	4.5
Wholesale Trade	42	15	0.3
Retail Trade	44-45	354	8.1
Transportation and Warehousing	48-49	132	3.0
Information, Finance, Insurance, and Real Estate	51-53	122	2.8
Professional and Technical Services	54	82	1.9
Management of Companies and Enterprises	55	0	0.0
Administrative and Waste Services	56	255	5.8
Educational Services	61	0	0.0
Health Care and Social Assistance	62	499	11.4
Arts, Entertainment, and Recreation	71	55	1.3
Accommodations and Food Services	72	15	0.3
Other Services Except Public Administration	81	438	10.0
Not Reported		1414	32.3
Total		4384	100.0

As the table shows, the majority of Latino business owners are involved in construction, retail businesses, health care and social assistance, or other services. The category of Health Care and Social Assistance Services includes child daycare services. The category of other services includes personal services such as beauty salons, household good repair and maintenance and laundry services.

II. Socioeconomic Status of Latino Entrepreneurs

Data on the socioeconomic status of Latino entrepreneurs centers on their education level, and poverty level. From the statistics below, there appear to be two types of Latino entrepreneurs in Missouri, a group that is highly educated and has relatively high incomes and a group that has a low level of educational attainment (less than a high school degree) and a lower income.

The majority of Latino entrepreneurs have a 12th grade with a high school diploma. However, there is a wide variance in education levels of Latino entrepreneurs as the table below shows.

Table II: Education Level of Latino Entrepreneurs

Education	Frequency	Percent
Nursery School to Fourth Grade	341	7.78
Grades 5 - 6	197	4.49
Grades 7-8	262	5.98
Grade 9	201	4.58
Grade 10	327	7.46
Grade 11	113	2.58
Grade 12, No Diploma	57	1.30
High School Graduate	1180	26.92
Some College, No Degree	969	22.10
Associates Degree	212	4.84
Bachelor's Degree	254	5.79
Master's Degree	44	1.00
Professional Degree	212	4.84
Doctorate	15	0.34
Total	4384	100

Statistics on the poverty status of Latino entrepreneurs are derived from questions on the Public Use Micro Sample Data regarding poverty status as defined by federal guidelines. For the purposes of this report this data was classified into four categories as defined in the chart below. The income level for federal poverty guidelines vary according to family size.^{xvi}

Chart 1: Poverty Definitions

Poverty Definitions	
At or Below Poverty	At or below the Poverty Threshold
Working Poor	101- 250 Percent Poverty
Middle Income	251-350 Percent Poverty
Not Poor	Above 350 Percent Poverty

More than half of Latino entrepreneurs fall into the low-income categories of Working Poor or Below Poverty. However, as Table III shows, there are also a large number of Latino entrepreneurs (33 percent) who have higher incomes. Entrepreneurship programs targeting Latino entrepreneurs may want to focus on programs for the poor and working poor since, presumably, entrepreneurs in higher income brackets would have access to other resources.

Table III: Poverty Level of Latino Entrepreneurs

Poverty Level	Number	Percent
At or Below Poverty	707	16.1
Working Poor	1517	34.6
Middle Income	563	12.8
Not Poor	1484	33.9
Total	4271	97.4
No Response	113	2.6
Total	4384	100.0

III. Cultural Characteristics of Latino Entrepreneurs

Cultural characteristics of Latino entrepreneurs include their English ability, the length of time they have been in the country, their country of origin, and their citizenship. This information is important in designing programs to promote entrepreneurship among Latinos since recent immigrants who have little familiarity with the country or state and low levels of English ability will obviously need very different assistance than Latinos who were born in the United States, are fluent in English, and have full knowledge of the U.S. business climate and access to the U.S. banking system.

The majority of Latino entrepreneurs have lived in Missouri for more than 5 years, although a significant number (12 percent) are recent immigrants. Of those who have recently immigrated to the country, the majority is Mexican. Among Latino entrepreneurs born in the United States, the majority are also of Mexican descent, although a substantial number are also from the Dominican Republic.

Table IV: Migration Patterns of Latino Entrepreneurs in Missouri

Migration	Number	Percent
Did Not Move in Past 5 Years	1620	37.0
Migrated to Missouri from Another U.S. State	848	19.3
Migrated within Missouri	1334	30.4
Migrated to Missouri from a U.S. Island	22	0.5
Migrated to Missouri from a Foreign Country	552	12.6
Total	4376	99.8
No Response	8	0.2
Total	4384	100.0

The English ability of Latino entrepreneurs is quite good. Almost 50 percent of Latino entrepreneurs speak only English. Of those speaking Spanish, approximately 14 percent do not speak English well. Although this is a fairly low statistic, there are a large enough number of Latino entrepreneurs that do not speak English in the state to show that the issue

of English language proficiency is an important consideration when designing programs that promote Latino entrepreneurship.

Table V: English Language Ability of Latino Entrepreneurs

English Ability	Frequency	Percent
Very Well	936	21.4
Well	723	16.5
Not Well	523	11.9
Not at All	99	2.3
Total	2281	52.0
Only Speak English	2103	48.0
Total	4384	100

The final statistic considered here is the citizenship status of Latino entrepreneurs. Citizenship is an important consideration for small business assistance programs since access to credit is very important to business owners and it is difficult for non-citizens to take out loans from traditional banks.

In Missouri, the majority of entrepreneurs are U.S. citizens. However, over 20 percent of all Latino entrepreneurs are non-citizens. This shows that access to credit might also be an important issue for business development programs wishing to promote entrepreneurship among Latinos in Missouri.

Table VI: Citizenship of Latino Entrepreneurs

Citizenship	Number	Percent
Citizen, Born in the U.S.	2517	57.41
Citizen, Born in a U.S. Territory	121	2.76
Citizen, Born Abroad of American Parents	81	1.85
Citizen, U.S. Citizen by Naturalization	630	14.37
No, Not a Citizen of the U.S.	1035	23.61
Total	4384	100

IX. Characteristics of Latino Entrepreneurs in Key Regions

Latino entrepreneurs in Kansas City, St. Louis, and Branson all share some common characteristics with statewide averages for Latino entrepreneurs. However, Latino business owners in each area have unique characteristics that are important to note when designing business development programs. One widely differentiating factor is the income/poverty status of Latino entrepreneurs, which varies widely between the three areas. Another important consideration is that Branson's Latino entrepreneurs largely male, have a higher level of English ability, and work in different industries than Latino entrepreneurs in St. Louis and Kansas City. The tables below compare differences between Latino entrepreneurs in the three key regions. Variables that have been excluded, such as age and education, are variables where all three regions have similar statistics to the state averages discussed in the previous section.

I. Socioeconomic Factors for Latino Entrepreneurs

The table below shows differences between Latino entrepreneurs in Missouri's three key regions in terms of their socioeconomic characteristics as well as gender. As the chart shows, the poverty status of Latino entrepreneurs varies widely in the three key regions of the state, with Branson being by far the poorest region. The poverty rate in Kansas City is also quite high, while the poverty rate in St. Louis is below the state average.

The rate of poverty in a region is an important consideration when designing programs that promote entrepreneurship and business development since entrepreneurs with more financial resources are likely to have different needs from those with few resources. Another significant difference between the regions is the fact that entrepreneurs in the Branson Area tend to be predominantly male. This fact, combined with the high poverty rate of entrepreneurs in the Branson area, as well as differences in cultural and industry factors listed below show that the Branson area has a different type of Latino entrepreneurial population than the population of Latino entrepreneurs in St. Louis and Kansas City.

Table VII: Socioeconomic Characteristics of Latino Entrepreneurs

	Statewide	St. Louis	Kansas City	Branson
Gender (Percent Male)	64%	58%	64%	99%
Poverty Status (Working Poor or Below)	52%	35%	62%	87%
Total Income	\$30,346	\$34,828	\$18,201	\$14,800
Self Employment Income	\$14,123	\$12,494	\$12,494	\$6,230

II. Cultural Factors for Latino Entrepreneurs

New immigrants to a country wishing to become entrepreneurs face unique barriers due to language and cultural differences that may make it difficult for them to open their own business. The table below attempts to determine how many of Missouri's Latino entrepreneurs face such difficulties. In those areas with a large number of Latinos who are recent immigrants or who have low language ability, entrepreneurship programs which focus specifically on cultural and language issues might be particularly helpful in encouraging Latinos to become entrepreneurs. Examples of such programs include courses dealing with U.S. business regulations and the U.S. financial system as well as courses conducted in Spanish.

Table VII: Cultural Factors for Latino Entrepreneurs

	Statewide	St. Louis	Kansas City	Branson
Low English Ability	14%	20%	16%	6%
Not U.S. Citizens	24%	36%	34%	13%
Migration from Another Country (Past 5 Years)	13%	13%	14%	0%
Migration from Another State (Past 5 Years)	20%	30%	19%	37%

As the chart above shows, entrepreneurs in St. Louis and Kansas City are similar with regards to cultural factors while those in the Branson Area have different characteristics. Among entrepreneurs in Kansas City and St. Louis, there is a relatively large population that does not speak English well. There is also a large population (over 30 percent) that has recently migrated to the U.S. either from abroad or from another state. Finally, there is a large population (over 30 percent) that does not have U.S. citizenship. These factors indicate that to be effective in the Kansas City and St. Louis metropolitan areas, business development programs need to offer Spanish language training as well as training on the U.S. financial system and issues of citizenship. A final need for programs in the Kansas City and St. Louis area is access to sources of capital for entrepreneurs who may not be able to access financing through banks due to their citizenship status.

In the Branson area Latino entrepreneurs have high English language ability and high levels of citizenship compared to the state average. This indicates that they can benefit from more traditional business development and training programs aimed at the general population. However, in the Branson there is also a high Latino population that has migrated to the area for work in the meat packing industry. These individuals, while not currently pursuing business ownership might be interested in this avenue of income generation if Spanish language courses and financial assistance were available.

Additionally, nontraditional sources of financing such as micro loans and equity investment from venture capital firms would be helpful for promoting entrepreneurship in all three areas of the state.

III. Industry Concentrations of Latino Entrepreneurs

Surveys of business owners have shown that they find training in their particular industry much more useful than general training on business development.^{xvii} The table below shows the concentration of Latino entrepreneurs in St. Louis, Kansas City, and the Branson Area, and statewide. An understanding of industry concentration allows programs to be designed that offer training to promote entrepreneurship in these particular industries.

Table IX: Industry Concentration of Latino Entrepreneurs

	Statewide	St. Louis	Kansas City	Branson
Highest Concentration	Construction 22%	Retail 23%	Construction 25%	Retail 53%
Second Concentration	Health Care & Social Assistance 17%	Other Services 21%	Health Care & Social Assistance 18%	Agriculture 20%
Third Concentration	Other Services 15%	Construction 18%	Other Services 12%	Administrative & Waste Services 13%

As Table IX shows, industry concentrations in St. Louis and Kansas City are similar. In both cities, construction and other services are industries with high concentrations of Latino entrepreneurs. Construction services are self-described; Other Services consists of personal and repair services, such as beauty salons and automotive repair. Retail trade has a high industry concentration in St. Louis while Health Care & Social Assistance¹ is a high industry concentration in the Kansas City area. These statistics indicate that training programs in managing retail, personal service, repair, childcare and construction businesses might be useful for Latinos in the Missouri metropolitan areas.

In the Branson Area, the top industry concentration is retail. However, aside from retail, entrepreneurship tends to be more agricultural based. Twenty percent of entrepreneurs are engaged in agriculture and thirteen percent are engaged in landscaping, which falls under the category of Administrative and Waste Services according to the North American Industry Classification System (NAICS code). To serve the population of entrepreneurs in this area, business development programs should be targeted at the retail, agriculture, and landscaping industries.

¹ The Health Care and Social Assistance Industry includes Child Day Care Services. Among Latinos with low levels of education it is possible that a large number of Latino entrepreneurs are engaged in the childcare business. Latinos with higher education attainment are more likely to be engaged in the business of trained health care professionals such as doctors, nurses, and social workers.

X. Policy Recommendations for Promoting Latino Entrepreneurship in Missouri

To promote entrepreneurship among Latinos in Missouri, programs need to be created which address the unique needs of Missouri's Latino population of potential business owners. The following recommendations have been drawn from the data in this study as well as research on entrepreneurship, and interviews with Latinos in Kansas City, Missouri.^{xviii}

I. Focus business development programs in areas that have both a large Latino population and a strong entrepreneurial climate.

Programs will make the most impact when they are located in areas where they are able to target large number of Latinos and where there is a climate that is favorable for business ownership. This study has selected the Kansas City and St. Louis metropolitan areas as well as the Branson area as three key regions in which to promote Latino entrepreneurship. Programs in these areas should be tailored to the needs of that area's entrepreneurs by offering training in the industries most concentrated in these regions and by offering Spanish language courses and courses dealing with citizenship issues when they are necessary.

II. Access to capital is critical for successful business development programs.

Studies of entrepreneurs across the United States show that greater access to more diverse sources of capital is the number one need of entrepreneurs.^{xix} Given their poverty status and potential issues with citizenship, Latino entrepreneurs are in a position where they have a particularly high need for alternative sources of financing. Venture finance equity investments and micro-loans can help Latino business owners succeed in growing their businesses in cases where they might not have access to traditional sources of financing such as bank loans.

III. Offer industry specific training to business owners. Training should concentrate on industries with high concentrations of Latino entrepreneurs.

Studies by the National Commission on Entrepreneurship have shown that business owners are most interested in receiving training on business development within their specific industry,^{xx} since this type of training gives them much more focused information on how to succeed in their particular area of business. Business development courses should be focused around industries with high concentrations of Latino entrepreneurs such as retail, personal services, construction, agriculture, landscaping, and repair services.

IV. Provide Spanish language training in the metropolitan areas.

The statistics presented in this report show that a significant percentage of Latino entrepreneurs in the Kansas City and St. Louis metropolitan areas have low English language proficiency. Additionally, surveys of Latino entrepreneurs in Kansas City show that there is a desire to have business classes conducted in Spanish.^{xxi} Business courses conducted in Spanish will be beneficial in that they will help existing entrepreneurs with

low English levels and will encourage more Latinos with low English levels to pursue business as an avenue of income generation.

V. Create Opportunities for Latino Entrepreneurs to Expand Their Networks

Research indicates that entrepreneurial networks are crucial resources for entrepreneurs.^{xxii} Networks provide mentoring opportunities for individuals to learn the ins and outs of running a business with someone who has succeeded in their field. Networks also help entrepreneurs access capital, new markets, and sources of information about what is going on in the business world. Sometimes Latino entrepreneurs, because of cultural barriers or because they are new to a region, may not have access to existing networks of business owners in their area. Structured programs that allow new entrepreneurs to meet existing business owners within an area will enable Latinos to expand their entrepreneurial networks. Such programs can be implemented through existing business organizations such as an area Chamber of Commerce. These programs should provide strong outreach to new entrepreneurs in the area.

XI. References

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^{iv} Fostering Entrepreneurship: Creating a Supportive Environment for Entrepreneurship in Missouri. Missouri Business Center and the Missouri Economic Research and Information Center. November 2002 pp 13.

^v People who identify themselves as Hispanic or Latino can be of any race since the U.S. Census Bureau defines Latino as an ethnicity.

^{vi} Missouri Economic Research Information Center, Population Data Series. Missouri Hispanic Population – 2000 Census. www.missourieconomy.org

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^{ix} Zoltan et. Al. pp 29.

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^{xii} Business Ownership – Cornerstone of the American Dream." U.S. Department of Labor March 25, 2005. <http://www.dol.gov/odep/pubs/business/business.htm>

^{xiii} The total number of Latinos over age 18 in Missouri is 75,178. Due to the sampling process used for the Public Use Microdata Sample, the number of Latinos counted in Missouri may not correspond exactly to the number of Latinos counted through estimates by the U.S. census. This is especially true in this paper since counts of Latinos do not include individuals under 18 years of age.

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^{xvi} More information on federal poverty guidelines can be found at the U.S. Department of Health and Human Services <http://aspe.hhs.gov/poverty/05poverty.shtml>.

^{xvii} Richtermeyer, Gwen. A Study of Latino Business Owners in Kansas City, BRIDG, University of Missouri, Kansas City June 2003. http://www.missouribusiness.net/bridg/latino_business_kc.pdf

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Analysis and reporting by
Lucia DeMaio

Direct all correspondence to Lucia DeMaio:
580 Harry S. Truman Building
Missouri Research and Information Center
Missouri Department of Economic Development
Jefferson City, MO 65102

TEL: 573-751-5470
FAX: 573-751-7385
EMAIL: lucia.demaio@ded.mo.gov
WEB: <http://www.MissouriEconomy.org>